

AMENDED IN ASSEMBLY JUNE 20, 2006

AMENDED IN SENATE MAY 10, 2006

AMENDED IN SENATE APRIL 17, 2006

SENATE BILL

No. 1398

Introduced by Senator Chesbro

February 22, 2006

An act relating to Medi-Cal.

LEGISLATIVE COUNSEL'S DIGEST

SB 1398, as amended, Chesbro. Medi-Cal: managed care: reimbursement.

Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Services and under which qualified low-income persons receive health care benefits.

Existing law allows the Director of Health Services to contract with any qualified individual, organization, or entity to provide services to, or arrange for or case manage the care of, Medi-Cal beneficiaries.

Existing law requires certain Medi-Cal managed care plans to be licensed by the Department of Managed Health Care under the Knox-Keene Health Care Service Plan Act of 1975.

This bill would require the State Department of Health Services to ~~prepare a report, by January 10, 2007, containing~~ *annually provide* specified information relating to the reimbursement rates for managed care plans under the Medi-Cal program authorized by the department ~~for the 2003-04, 2004-05, and 2005-06 budget years, as a part of the May Revision of the annual Budget Act.~~ The bill would prohibit the department from ~~applying any portion of a budget adjustment factor to any Medi-Cal managed care plan until the completion of the report~~

~~required by these provisions~~ making adjustments in the reimbursement rates for a Medi-Cal managed care plan, as specified in the bill, without consulting with the Department of Managed Health Care regarding the fiscal impact of the adjustments on the managed care plan.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. (a) The State Department of Health Services
2 shall provide the following information on an annual basis as
3 part of the May Revision of the annual Budget Act, regarding all
4 Medi-Cal managed care plans:
5 (1) The financial condition of each Medi-Cal managed care
6 plan.
7 (2) Any adjustment to the reimbursement rates for Medi-Cal
8 managed care plans that are proposed to be made in the future
9 or have been made in the previous fiscal year that are not
10 specifically included as part of the department's actuarially
11 developed rate methodology.
12 (3) How the department developed the proposed or previously
13 applied adjustment identified pursuant to paragraph (2).
14 (4) How the department treated and analyzed a Medi-Cal
15 managed care plan's financial reserves in determining
16 reimbursement rates, including adjustments identified pursuant
17 to paragraph (2).
18 (5) The average rate increases or decreases applied to the
19 Medi-Cal managed care plans, independent of any adjustments
20 identified pursuant to paragraph (2).
21 (b) The department may not make any adjustment set forth in
22 paragraph (2) without consulting the Department of Managed
23 Health Care regarding the fiscal impact on each Medi-Cal
24 managed care plan and the plan's ability to provide for
25 Medi-Cal services.
26 (c) The department shall use any independent study from 2006
27 or any subsequent year in developing the rate methodology.
28 (d) With respect to the 2005–06 fiscal year, the department
29 shall provide the information required by this section to the

1 *budget committees of the Legislature on or before January 10,*
2 *2007.*

3 ~~SECTION 1. (a) The State Department of Health Services~~
4 ~~shall prepare a report containing the following information for~~
5 ~~the 2003-04, 2004-05, and 2005-06 budget years regarding all~~
6 ~~Medi-Cal managed care plans:~~

7 ~~(1) An actuarial analysis of the reimbursement rates under the~~
8 ~~Medi-Cal program, including the aggregate and percentage~~
9 ~~difference between the rates determined to be actuarially~~
10 ~~appropriate and the rates authorized by the department.~~

11 ~~(2) How the budget adjustment factor was determined and~~
12 ~~applied by the department.~~

13 ~~(3) How the department treated and analyzed plan financial~~
14 ~~reserves in determining reimbursement rates.~~

15 ~~(4) The average rate increases or decreases applied to the~~
16 ~~managed care plans, independent of the budget adjustment factor.~~

17 ~~(5) The methodology for the calculation of the budget~~
18 ~~adjustment factor for each budget year covered by the report.~~

19 ~~(6) How the budget adjustment factor was applied in each~~
20 ~~budget year, and the rationale for that application.~~

21 ~~(b) The department shall not apply any portion of a budget~~
22 ~~adjustment factor to any managed care plan under the Medi-Cal~~
23 ~~program until the completion of the report required by this~~
24 ~~section.~~

25 ~~(c) The department shall file the report required by this section~~
26 ~~with the budget committees of the Legislature on or before~~
27 ~~January 10, 2007.~~